definition cited by Petitioner is completely irrelevant to this case.

No matter how hard Petitioner tries to avoid this, the misstatements in Petitioner's Reply therefore relate to a key distinction between this case and *Spier*. In *Spier*, the songwriter did not retain any copyright interest in his works, having *assigned* them away before he died. Thus, his purported bequest of the "renewal copyrights" in his works to a testamentary trust was completely illusory. While the testamentary trust in *Spier* received no copyright interest under the songwriter's will, the Trust beneficiaries in the case at bar received a valid and effective bequest of the renewal copyrights from A.A. Milne, resulting in the Trust beneficiaries' ownership of such renewal copyrights—a fact that Petitioner repeatedly conceded in the Petition. *See* n.4, *supra*. And as the owners of the renewal copyrights in 1983, the Trust beneficiaries (including Petitioner) had the right to control such copyrights, including by canceling the 1930s *license* of rights to Slesinger and entering into a new, far more lucrative arrangement with Slesinger and Disney in its place. Slesinger's Brief in Opposition at 16. Nothing in *Spier* conflicts with this conclusion.

CONCLUSION

Petitioner's repeated attempts to fabricate an inter-Circuit conflict where none exists only provide further proof that this Court's review of the Ninth Circuit's decision is not warranted. Accordingly, again, the Petition should be denied.

Respectfully submitted,

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IN THE

Supreme Court of the United States

CLARE MILNE, BY AND THROUGH
MICHAEL JOSEPH COYNE, HER RECEIVER,
Petitioner,

v.

STEPHEN SLESINGER, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF FOR THE PETITIONER

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REPLY BRIEF FOR THE PETITIONER

The Ninth Circuit has given publishers and other copyright licensees an easy way to circumvent an important right that Congress deliberately reserved for authors, their surviving spouses, and their lineal descendants. In Section 304 of the Copyright Act, 17 U.S.C. § 304, Congress allowed those individuals to terminate any grant or license executed before January 1, 1978, after either the 56th or 75th year of the copyright, and to recapture for themselves the remainder of the copyright term. Similarly, in Section 203 of the Act, 17 U.S.C. § 203, Congress allowed authors and their family members to terminate any grant by the author after the 35th year of the grant. These provisions reflect Congress's longstanding recognition, dating back to the Copyright Act of 1909, that authors often make grants when they cannot know the full value of their works; the provisions are intended to ensure that authors and their families benefit from the full, developed value of copyrighted works when the termination right matures.

The Congress that enacted Sections 203 and 304 also knew, however, that its prior efforts to ensure such protection for authors had been thwarted by publishers' practice of requiring authors to assign away in advance their rights to the renewal copyright term (as A.A. Milne did in 1930)—a practice upheld by this Court in *Fred Fisher Music Co.* v. *M. Witmark & Sons*, 318 U.S. 643 (1943). To protect authors and their families against the risk that publishers might use their leverage in a similar way to induce authors to give up their statutory termination rights, Congress provided that authors and their families may terminate prior grants "notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5), (d)(1). This provision expressly precludes authors and their families from waiving their statutory termi-

nation rights. This Court has, in fact, described termination rights as "inalienable."[1]

The Ninth Circuit, however, has opened up a path for grantees to get around this clear statutory language and the policy it implements. Under the decision below, a grantee may induce an author or his descendant, not to "waive" the termination right—which would be clearly invalid as an "agreement to the contrary"—but rather to cancel and simultaneously reissue the license, which has exactly the same effect but in the Ninth Circuit is now deemed *not* to be an "agreement to the contrary." None of respondent's arguments answers our showing that this ruling is erroneous and conflicts with decisions of the other major venue for copyright litigation, the Second Circuit.

A. The Ninth Circuit's Decision Conflicts With The Language Of The Statute And Seriously Undermines The Statutory Termination Right

Respondent argues that the Pooh Properties Trust's 1983 cancel-and-simultaneously-regrant transaction with respondent eliminated Clare Milne's statutory right to terminate her grandfather's 1930 Grant to respondent because (a) members of the Milne family (including petitioner) were supposedly actual parties to that shuffle, and (b) the transaction supposedly brought substantial benefits to the Milne family. Neither assertion is supported by the record; as we explain below (pp. 9-10, *infra*), the record contains no evidence that either Christopher Milne or Clare Milne obtained a benefit from this simultaneous two-step.

More fundamentally, whether the Milne family received any benefits from the 1983 Agreement is legally irrelevant. The statute makes waivers of termination rights—and two-steps that amount to waivers—ineffective regardless of the payment or amount of consideration. Indeed, the premise of Section 304 is that authors and their families should be enti-

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[1] *See New York Times Co.* v. *Tasini*, 533 U.S. 483, 496 n.3 (2001); *Stewart* v. *Abend*, 495 U.S. 207, 230 (1990).

tled to claim the full value of the copyright during the extension period set by Congress, and should not be limited to some lesser amount that they might earlier have obtained for a waiver of the statutory termination right—even if the amount paid for that waiver was substantial. Section 304 makes clear that termination rights may not be defeated by "*any* agreement to the contrary," and does not turn on the size of consideration that might have been paid in exchange for such an agreement. And any rule that turned on the size or the substantiality of such consideration would clearly be impossible to administer.[2]

Section 304 is an unusual statute; it prevents authors and their families from alienating their termination rights, no matter how beneficial such an alienation might appear to them at the time. But as Congress understood from the *Fred Fisher* experience, any other rule could quickly lead to the unraveling of the policy of allowing authors and their families to capture the full value of a copyrighted work. That policy is undermined by a rescission-and-regrant no less than by a waiver of termination rights.

Respondent suggests (Opp. 12) that the Ninth Circuit merely recognized rescission-and-regrant transactions such as the 1983 Agreement as "an alternate way for authors' heirs to capitalize on the increased bargaining power conferred by the statutory termination provision." But the 1983 Agreement clearly was *not* the kind of termination that Congress sanctioned in the Copyright Act. Congress made clear that, for a true termination to be valid, it must be effec-

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[2] It is clear, however, that the value of a copyright recaptured by the author's heirs upon a true termination is often dramatically greater than the amount the author or his heirs might obtain for waiving or assigning their termination rights. For an example, one need look no further than the *Lassie* case discussed in the petition for certiorari, in which the author's daughter contracted away her termination right in 1978 for $3,000. *See* Pet. 26; Pet. App. 44a.

tuated pursuant to detailed rules set forth in the statute, with which the 1983 Agreement did not comply.[3]

Indeed, the fact that the rescission and regrant were effectuated simultaneously and in the same document shows that the 1983 Agreement was purposely structured *not* to be a termination of the 1930 Grant; if the 1930 Grant truly had been terminated, respondent would have been placed at risk that the copyright owner might then have decided to license the Pooh works to someone else. The 1983 Agreement was designed to preclude the possibility that any such termination might occur. *See* Pet. 7; C.A. E.R. 209.[4] Thus, it is irrelevant whether the Milne family received benefits from

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[3] Congress has meticulously legislated how statutory termination may be effectuated. Among other safeguards, termination may only be undertaken by a per stirpes majority of the author's surviving progeny, 17 U.S.C. § 304(c)(2)(C), acting either 56-61 years after the date copyright for the work was secured, § 304(c)(3), or 75-80 years thereafter, § 304(d)(2), by personally serving the grantee's successors in title, § 304(c)(4), with a notice complying in content and manner of service with Copyright Office regulations, § 304(c)(4)(B), stating at least two years in advance the exact future date that termination is scheduled to take effect, § 304(c)(4)(A), during which advance time they cannot make a further grant to any new grantee, § 304(c)(6)(D), and also during which such advance time they must record the notice in the records of the U.S. Copyright Office, § 304(c)(4)(A).

[4] Respondent contends (Opp. 6-7) that a 1982 letter from Professor Melville Nimmer to Disney supports the Ninth Circuit's decision by positing that the 1983 Agreement would effectively nullify the termination right that Congress gave to A.A. Milne's descendants. Professor Nimmer's letter, however, did not take the position that respondent attributes to it. In the letter, Professor Nimmer adhered to his long-stated scholarly view that the parties' *simultaneous* rescission and regrant of a license—which is what occurred in this case—could not suffice to avoid subsequent statutory termination. *See* C.A. E.R. 50 (citing 3 *Nimmer on Copyright* § 11.07, at 11-42 (1978)). Although Professor Nimmer in 1982 seemed ready to accept *sequential* rescission and regrant as a way to avoid statutory termination, *see id.* at 48-50, that letter predated the Second Circuit decisions, discussed at pp. 7-9, *infra*, that foreclose even such an artifice. Moreover, the parties to the 1983 Agreement did not follow Professor Nimmer's advice when they engaged in the type of simultaneous transaction of which he steadfastly disapproved. *See* C.A. E.R. 110-111 (setting forth 3 *Nimmer on Copyright* § 11.07, at 11-42 to 11-43 (1978)).

the 1983 Agreement, because that Agreement clearly was *not* a termination made in accordance with the requirements of Section 304.

Respondent's efforts to minimize the Ninth Circuit's decision as limited to an idiosyncratic case are also without merit. Contrary to respondent's suggestion, the Ninth Circuit's decision does not turn on any involvement in the 1983 Agreement by Christopher Milne (much less by Clare Milne, who did not sign that Agreement). Rather, the Ninth Circuit has upheld, as a way to preclude the exercise of the statutory right to terminate a license, a device by which the copyright owner agrees to revoke and simultaneously regrant the license. There is no apparent reason why the very same device might not be used by, for example, future authors who were induced to cut off their spouses and descendants, or creditors who obtained the copyright in a bankruptcy proceeding and had no interest in protecting the family.

Moreover, the effects of the decision below are not limited in time, as respondent suggests. Under Section 304, which applies to grants executed before January 1, 1978, the Ninth Circuit's rule will apply far into the future, as works published and licensed in 1977 now remain in copyright until 2072. The related termination right in Section 203—which contains the same assurance to authors and their families that the right trumps "any agreement to the contrary"—extends into the indefinite future. Thus, under the Ninth Circuit's reasoning, if *Winnie-the-Pooh* were first published today and events unfolded as they did in this case, the same result would obtain years from now under Section 203.

B. Respondent's Arguments Based On Legislative History Are Incorrect

Unable to provide a coherent explanation why a rescission-and-regrant deliberately designed to preclude termination of a prior grant is not an "agreement to the contrary," respondent tries to seek support in the legislative history of the Copyright Act. That effort is also unavailing, for the

passage on which respondent relies has no bearing on the question presented by this petition.

Read in full, the passage to which respondent repeatedly refers provides:

> *Section 203* would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, *thereby causing another 35-year period to start running.*

H.R. Rep. No. 94-1476, at 127 (1976) (emphasis added). Both respondent and the Ninth Circuit chop off from their quotations the beginning and end portions italicized above. Opp. 21; Pet. App. 15a. By doing so, they distort the meaning of the passage, for they take it out of the only context to which it speaks.

Unlike Section 304, which affords authors and their families one opportunity to terminate a prior grant, Section 203 allows an unlimited number of potential statutory terminations to "be effected ... at the end of thirty-five years from the date of execution of the grant." 17 U.S.C. § 203(a)(3). Thus, the import of the legislative history quoted above is that, under Section 203, parties who negotiate a new agreement will cause "another 35-year period to start running," after which the termination right can be used again. But that passage is wholly inapplicable to Section 304, under which a single termination window opens after either the 56th or 75th year of the copyright. *See* 17 U.S.C. § 304(c)(3), (d)(2).[5]

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[5] Notably, this sentence appears only in the House and Senate Reports' discussion of Section 203, and not in those Reports' discussion of Section 304. That lacuna demonstrates that the quoted sentence is relevant only to Section 203. Typically, comments in the House and Senate Reports about the termination right under Section 203 were repeated almost verbatim in the discussion of Section 304. *Compare* H.R. Rep. No. 94-1476, at 124-128 and 140-142 *with* S. Rep. No. 94-473, at 108-111 and 123-125 (1975).

Moreover, even if the passage were applicable to Section 304, it would not follow that Congress had intended that parties to a grant or license should be able, by agreement among themselves, to nullify an author's family member's termination right, as the parties to the 1983 Agreement sought to do. At most, the passage recognizes that the owner of a copyright and a grantee can renegotiate the terms of an agreement between themselves; it does not suggest that any such agreement can ever supersede or preclude statutory termination rights. The issue here is not whether the 1983 Agreement would have been enforceable under state law if, for example, Disney or respondent had refused to pay the Pooh Properties Trust royalties under that Agreement on the ground that the Agreement was invalid and the 1930 Grant remained in effect. Rather, the issue here is whether, even if the 1983 Agreement might have been enforceable among the parties to it, that Agreement was effective to preclude Clare Milne, who was *not* a party to that Agreement, from asserting her statutory rights. By holding that the 1983 Agreement did have that effect, the Ninth Circuit has sanctioned the circumvention of the statutory termination rights of authors and their families.

C. The Decision Below Conflicts With Decisions Of The Other Major Copyright Circuit

As the petition shows (Pet. 19-24), the decision below cannot be reconciled with the decisions of the Second Circuit in *Larry Spier, Inc.* v. *Bourne Co.*, 953 F.2d 774 (2d Cir. 1992), and *Marvel Characters, Inc.* v. *Simon*, 310 F.3d 280 (2d Cir. 2002), each of which stressed that statutory termination rights of authors and their families cannot be defeated in advance by agreement. Respondent's efforts to minimize the significance of these Second Circuit decisions fall wide of the mark.

In *Spier*, songwriter Dave Dreyer assigned to a publisher in 1951 "the renewal copyrights ... subject to the payment of the royalties hereinafter provided for." 953 F.2d at 777. In exactly the same manner, A.A. Milne sold his copyright interests at issue in this case to Stephen Slesinger

in 1930, subject to an ongoing royalty obligation. Opp. 3. It is that right to receive royalties that the songwriter in *Spier* and A.A. Milne in this matter each bequeathed by will to a trust. But the two Courts of Appeals reached precisely opposite conclusions about the legal effect of these arrangements. In *Spier*, the Second Circuit ruled that "the Dreyer family had the right, under the statute, to terminate the 1951 assignment and recapture the renewal copyrights for the family," 953 F.3d at 778, even though doing so would end the royalty stream bequeathed to the Dreyer testamentary trust. The Ninth Circuit here, by contrast, held that A.A. Milne's testamentary trust shall continue to receive royalties under the 1983 Agreement because that Agreement trumped the statutory termination rights of the Milne family.

Respondent argues that the only issue in *Spier* was whether the author could transfer rights to royalties from the copyright by will when the author had transferred the copyright itself during his lifetime. *See* Opp. 24-25.[6] But the Second Circuit hardly limited itself to a discussion of that narrow issue. To the contrary, the Second Circuit extensively canvassed the purpose of Section 304(c) and concluded that the Dreyer family was entitled to exercise its right to terminate an assignment that Dreyer had made in 1951, notwithstanding that this termination would override Dreyer's intent, expressed in his will, that his mistress share in the benefit of the copyrights. As the Second Circuit explained, "[g]ranting supremacy to the author's intent as against the rights of the widow and children would obviate the reason that Section 304(c) is in the Copyright Act to begin with and distort the deliberate legislative choice made by Congress." 953 F.2d at 778.

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[6] Respondent takes out of context the Second Circuit's statement that it was "hold[ing] only" on that point. Opp. 24. In context, it is clear that the court was declining to rule on a broader question not directly relevant here, namely, the "exact scope of the term 'right under' a renewal copyright as used in Section 304(c)." 953 F.2d at 777.

The Ninth Circuit's decision similarly conflicts with the Second Circuit's decision in *Marvel*. Again, the relevant facts are closely analogous to those presented here. In *Marvel*, the parties entered into a 1969 agreement to settle independent litigation, meaning that the 1969 agreement would reorder the parties' affairs prospectively. But there was one aspect of that otherwise legitimate agreement that the Second Circuit rejected: to the extent a right of statutory termination would exist in the absence of that 1969 agreement, that agreement itself could not extinguish the right, for otherwise "the termination provision would be rendered a nullity." 310 F.3d at 290. The logic of *Marvel* applies *a fortiori* here. In this case, the *sole* rationale for rescinding the *Pooh* rights granted in 1930 and then re-granting the identical rights to the identical entities was to avoid the otherwise applicable "right of termination under 17 U.S.C. Secs 203 or 304(c)." Pet. App. 60a.

D. The Record Does Not Support Respondent's Assertions That Petitioner Benefited From The 1983 Agreement

A persistent theme in respondent's brief is that petitioner benefited from the 1983 Agreement to the tune of "hundreds of millions" of dollars, and that the Milne family, as beneficiaries of the Pooh Properties Trust, actually *negotiated* the 1983 Agreement. *See* Opp. 4, 6, 8, 13, 15, 16. These assertions are unsupported by the record, which contains no evidence of the identities of the beneficiaries of the Trust when the 1983 Agreement was executed or thereafter.[7] And there is also no basis for concluding that petitioner

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[7] The record in this case shows only that, as of 1972, the beneficiaries of the Trust were the Westminster School, the Royal Literary Fund, the Garrick Club, and Christopher Milne. C.A. E.R. 90-91. Christopher Milne "conveyed away any such interest by 1979," *id.* at 365, and was not a beneficiary of the Trust in 1983, *id.* at 101. The Ninth Circuit rejected respondent's attempt to supplement the record on appeal to show that petitioner succeeded to half of her father's former one-quarter share. Pet. App 35a-37a. Accordingly, although the Ninth Circuit believed that petitioner received increased royalties as a result of the 1983 Agreement, *see id.* at 7a, 13a, 14a, 17a, the record contains no evidence to that effect. Tellingly,